

1 Adopt 2 Cal. Code Regs. Section 18237 to read:

2 **§ 18237. Definition of “Investment.”**

3 (a) For purposes of Section 82034, the term “investment” does not include a fund,  
4 including an exchange traded fund (ETF), closed-end fund or employee plan qualified under  
5 Section 401(k), 403(b), 457 or similar provision of the Internal Revenue Code (qualified plan),  
6 that is substantially similar to a “diversified mutual fund registered with the Securities and  
7 Exchange Commission under the Investment Company Act of 1940” if all the following are met:

8 (1) The fund is a diversified bona fide investment fund that pools money from more than  
9 100 investors and invests the money in stocks, bonds, or other securities.

10 (2) The fund holds securities of more than 15 issuers.

11 (3) The public official does not influence or control the selection of any specific  
12 investment purchased and sold on behalf of the fund or on behalf of any agency.

13 (b) For purposes of subdivision (a)(1) and (a)(2), an ETF, closed-end fund or qualified  
14 plan is presumed to have more than 100 investors and hold securities of more than 15 issuers.

15 (c) For purposes of Section 82034 and this regulation, a diversified fund means a fund  
16 that does not have a stated policy of concentrating its holdings in the same industry or business.

17 Note: Authority cited: Section 83112, Government Code. Reference: Section 82034,

18 Government Code.